



## **CRS Report for Congress**

# **Japan's Political Turmoil in 2008: Background and Implications for the United States**

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### **Summary**

On September 1, 2008, Japanese Prime Minister Yasuo Fukuda stunned observers by resigning his post, saying that a new leader might be able to avoid the “political vacuum” that he faced in office. Fukuda’s 11-month tenure was marked by low approval ratings, a sputtering economy, and virtual paralysis in policymaking, as the opposition Democratic Party of Japan (DPJ) used its control of the Upper House of Japan’s parliament (the Diet) to delay or halt most government proposals. On September 22, the ruling Liberal Democratic Party (LDP) will elect a new president, who will become Japan’s third prime minister in as many years. Ex-Foreign Minister Taro Aso, a popular figure known for his conservative foreign policy credentials and support for increased deficit spending, is widely expected to win. Many analysts expect that the new premier will dissolve the Lower House and call for parliamentary elections later in the fall. As a result, Japanese policymaking is likely to enter a period of disarray, which could negatively affect several items of interest to the United States, including the passage of budgets to support the realignment of U.S. forces in Japan and the renewal of legislation that authorizes the deployment of Japanese navy vessels that are refueling ships supporting U.S.-led operations in Afghanistan.

This report analyzes the factors behind and implications of Japan’s current political turmoil. It will be updated as warranted by events.

### **Next Steps**

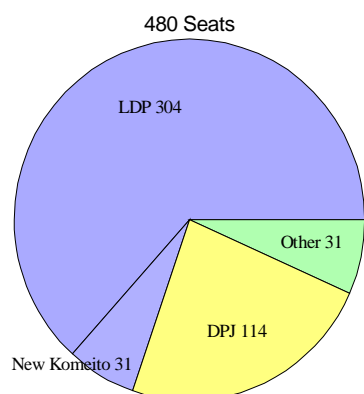
**Late September — Party Leadership Elections.** Over the course of three days in late September 2008, all three of Japan’s major parties will hold leadership elections. The largest opposition party, the Democratic Party of Japan (DPJ) will go first, on September 21. Current party head Ichiro Ozawa, who is completing his two-year term as president, is running unopposed. The following day, the ruling Liberal Democratic Party (LDP) will hold its internal election, with the winner set to assume Japan’s premiership by virtue of the LDP’s majority in the Lower House, the more powerful of Japan’s two parliamentary chambers. As discussed in more detail below, five LDP

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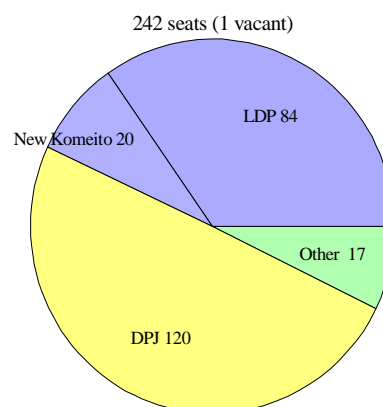
members have declared their candidacy. Finally, on September 23, the LDP's coalition partner, New Komeito, will hold its election, with incumbent Akihiro Ota widely expected to stay on.

**Lower House Elections — in Early November?** In late September or early October, the new prime minister is expected to dissolve the chamber and schedule an early general election for early November in order to renew the ruling party's mandate. By law, the Lower House election does not need to be held until September 2009. Various polls indicate that the race is likely to be competitive. Both the LDP and the DPJ's approval ratings generally are in the 20-30% range. Most observers predict that the LDP-led coalition is unlikely to maintain its two-thirds majority in the Lower House, which would deprive the LDP of its ability to override vetoes by the DPJ-led Upper House and potentially usher in a new era for Japanese politics.

Lower House Party Distribution



Upper House Party Distribution



**Economic Issues Predominate.** The economy is expected to be the major policy issue of the anticipated general election. Specifically, debate is expected to focus on four inter-related items: whether and how to revive Japan's sputtering economy, how to support Japan's social security system as it copes with the strain of a rapidly ageing society, whether and when to raise the consumption tax rate from its current level of 5%, and how aggressively to pursue structural economic reforms such as those championed by former Prime Minister Junichiro Koizumi, who served from 2001-2006. Hanging over all these questions is Japan's high level of government debt; the country's debt-to-GDP ratio is the highest among the world's industrialized countries.

## The LDP's Candidates

Thus far, five candidates have announced their intention to run for the LDP's presidency. **Taro Aso** (67 years old) is widely considered to be the front-runner. A former Foreign Minister and current Secretary General of the LDP, he is by far Japan's most popular politician. To temporarily reinvigorate the economy, he has emphasized the need to increase government spending, much as Tokyo did during the 1990s, and has said that raising the consumption tax should be postponed until the economy revives. Aso is

known as a foreign policy hawk.<sup>1</sup> He has strongly advocated revising the “peace clause” (Article 9) of the Japanese constitution to allow Japan to more easily deploy its Self-Defense Forces overseas. During his stint as Foreign Minister (2005-2006), he and then-Prime Minister Shinzo Abe tried to deepen Japan’s alliance with the United States. They also touted a “values-based diplomacy” that called for expanded cooperation with democracies in Asia, particularly the United States, Australia, and India. Aso has a reputation as a “revisionist” on historical issues, which could lead to tensions with China and South Korea if he becomes prime minister. In the past, Aso has praised some aspects of Japan’s colonization of Asian countries in the first part of the 20<sup>th</sup> century and voiced support for official visits to Yasukuni Shrine. Visits by former leaders to the controversial Shinto shrine that honors Japan’s war dead — including several convicted Class A war criminals — have severely strained relations with China and other Asian countries.

Other candidates include current Economic and Fiscal Policy Minister **Kaoru Yosano** (70), a strong opponent of increased government spending who argues that the consumption tax must be raised in order to save the national pension system. Former Defense Minister and popular television anchor **Yuriko Koike** (56), a proponent of re-energizing the government’s structural reforms championed by Koizumi, is the first woman to run for the LDP Presidency. Former Transportation Minister and LDP policy chief **Nobuteru Ishihara** (51), the son of the popular mayor of Tokyo, also favors structural reforms. Another former Defense Minister, **Shigeru Ishiba** (51), favors increased government spending and is emphasizing his plan to enact a permanent law enabling Japan to dispatch the Self-Defense Forces overseas whenever necessary.<sup>2</sup>

## The DPJ’s Platform

If Lower House elections are held in the near future, the DPJ is expected to use the same strategy of emphasizing economic and social issues that propelled it to victory in the July 2007 elections for the Upper House of Japan’s Diet. Ozawa has unveiled a highly populist policy blueprint that includes items such as providing income support to farmers and fishermen; abolishing certain provisional taxes; and reforming the national pension and healthcare systems. He would offset the over 18 trillion yen (over \$160 billion) in revenue shortfalls by eliminating or trimming what he has called “wasteful” government programs that are funded through various “special accounts.” Ozawa also has outlined measures to reduce bureaucrats’ influence over politicians and has called for Japanese troops to participate in U.N. peacekeeping operations.<sup>3</sup> Though Ozawa is not popular in opinion polls, he is respected in his party for his campaign prowess.

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<sup>1</sup> See, for instance, Maya Kaneko, “FOCUS: LDP Presidential Candidates Vying under 3 Economic Policies,” *Kyodo*, September 10, 2008; “Outline of Aso’s Policy Platform,” *Yomiuri Shimbun*, September 5, 2008.

<sup>2</sup> See, for instance, Maya Kaneko, “FOCUS: LDP Presidential Candidates Vying under 3 Economic Policies,” *Kyodo*, September 10, 2008;

<sup>3</sup> See, for instance, “DPJ Ozawa Announces Set of Basic Policies, Lacking Specifics on Fiscal Resources, Timing,” *Nihon Keizai Shimbun*, September 9, 2008.

## Possible Outcomes of the Current Impasse

Analysts point to a number of possible outcomes from the ongoing political turbulence. One possibility is continued paralysis, particularly if the LDP wins the Lower House elections but loses its 2/3 majority. A DPJ victory, while signifying the emergence of a true two-party system in Japan, could usher in a period of fundamental adjustment to policies that have remained static for decades under the LDP. Two other scenarios are a “Grand Coalition” and a political realignment, in which members of either party defect to the other and form a new majority. Before the elections, however, most analysts are reluctant to speculate specifically on how these scenarios might unfold.

## Factors Behind Japan’s Political Paralysis

A number of factors impeded Fukuda’s ability to govern and will challenge whomever the LDP chooses as his successor.

**Parliamentary Gridlock.** In July 2007, the DPJ won a majority in nationwide elections for the Upper House of the Diet. As a result, for the first time in Japanese history, Japan’s two parliamentary chambers are controlled by different parties. Shortly after the DPJ’s victory, then-prime minister Shinzo Abe resigned, leading the LDP to select Fukuda as premier. Concerned by Ozawa’s threats to veto major legislation, Fukuda attempted to form a “Grand Coalition” with the DPJ. After the talks broke down, the DPJ adopted an aggressive policy of using its control of the Upper House to block or delay several of the Fukuda government’s legislative initiatives.

**The LDP’s Increased Dependence on Coalition Partners.** For more than a decade, the LDP generally has not been able to secure independent majorities in both Diet chambers, forcing it to rely upon coalitions with smaller parties. Since 1999, the LDP has formed a governing coalition with the New Komeito party, a pacifist-leaning party with strong ties to the Buddhist Soka Gakkai religious group. Komeito’s clout in the coalition has increased over time, for at least two reasons. First, the LDP is reliant upon Komeito to obtain the 2/3 majority in the Lower House to override the DPJ-led vetoes in the Upper House. Second, LDP candidates in many electoral districts have become reliant upon support from Soka Gakkai followers.<sup>4</sup> Although traditionally the LDP has dominated the coalition, during the summer of 2008, New Komeito became more assertive, for instance by resisting Fukuda’s push to renew the authorization to provide fuel to coalition forces in Afghanistan (see later section for details).

**The LDP’s Weakened Decision-Making Structure.** Former Prime Minister Junichiro Koizumi significantly weakened the LDP’s old, opaque system, in which the leaders of the party’s internal factions made major budgetary, policy, and personnel decisions (including deciding who would serve as prime minister). This system, although widely criticized as lacking transparency, helped the LDP to overcome significant internal divisions over policy. While he was breaking the faction-based system, Koizumi used his personal popularity and aggressiveness to enforce party discipline. However, his successors, Abe and Fukuda, often were unable to duplicate this feat. As a result, decision-making became increasingly difficult on contentious matters, such as the battles

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<sup>4</sup> “New Komeito to Reelect Ota,” *Nihon Keizai Shimbun*, September 8, 2008.

between the LDP's economic reformers and those favoring a return to the status quo of channeling government funds toward key interest groups.<sup>5</sup>

**The DPJ's Discipline.** The DPJ was formed in 1998 as a merger of four smaller parties and was later joined by a fifth grouping. The amalgamated nature of the DPJ has led to considerable internal contradictions, primarily between the party's hawkish/conservative and passivist/liberal wings. In particular, the issues of deploying Japanese troops abroad and revising the war-renouncing Article 9 of the Japanese constitution have generated considerable internal debate in the DPJ. As a result, for much of its history, the DPJ has a reputation of not being able to formulate coherent alternative policies to the LDP. Additionally, battles between various party leaders have weakened the party. Since winning the Upper House, however, the party has appeared much more unified, at least on the strategy of using its veto power to try to force the LDP to hold early elections. This discipline is remarkable considering that, privately and publicly, many DPJ members chafe at Ozawa's top-down leadership style. If the DPJ does worse than expected in the next election, it is likely that he will be forced to step down.

## Implications for the United States<sup>6</sup>

In general, U.S. interests are likely to be negatively affected by political gridlock in Tokyo. In the first term of the Bush Administration, Japan was lauded as the "pivot" of the U.S. strategic presence in Asia and a reliable partner in the global war on terrorism. Continued ineffective leadership, however, suggests that Japan will avoid taking political risks to support U.S. global efforts. Stalled or protracted decision-making may further frustrate U.S. managers working on a range of economic, diplomatic, and military coordination with Japan. Although most analysts view the U.S.-Japan security alliance as mutually beneficial and fundamentally sound, an erosion of trust between Washington and Tokyo could constrain both capitals from weathering occasional controversies.

**Security Policy Reform Efforts.** Regardless of which party or candidate takes power, Tokyo is likely to focus most attention on domestic issues in the near future. Little progress is expected on a suite of reforms that had been pursued by Abe and encouraged by U.S. officials to enhance Japan's ability to contribute to international security. These proposals include revision of Article 9 of Japan's constitution, reinterpretation of the constitution to allow collective self-defense, and a law that would allow the Self Defense Forces to deploy without passage of special legislation. Given the emphasis on reforming the pension and health care systems, the new leadership is unlikely to put its energy and resources into passage of controversial foreign policy legislation.

**Afghanistan.** The political gridlock in Tokyo does not bode well for the continuation of Japanese support of the U.S.-led Operation Enduring Freedom (OEF) in Afghanistan. Beginning in 2001, Japan's Marine Self Defense Force (MSDF) provided fuel (over 130 million gallons, according to the Japanese government) and water from its tankers in the Indian Ocean to coalition forces. After the DPJ took control of the Upper House in the July 2007 elections, it and the other opposition parties in the Upper House

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<sup>5</sup> Brad Glosserman, "Déjà vu, all over again," PacNet #43, September 2, 2008.

<sup>6</sup> For more on U.S.-Japan relations, see CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

voted down the “Anti-terrorism Special Measures Law” authorization, creating a gap in MSDF participation. Eventually, the LDP-New Komeito coalition used its two-thirds majority in the Lower House, to overrule the Upper House’s rejection of the bill. The current measure expires on January 15, 2009. Although all five LDP candidates have stated support for the measure’s renewal, the parliamentary calendar and New Komeito’s apparent reluctance to back the extension point to at least an interruption of the re-fueling.

In summer 2008, the Japanese government explored and then appeared to rule out sending a team of Japanese ground troops to participate in humanitarian activities in Afghanistan. A deployment is likely to be controversial for the pacifist-leaning Japanese public and is particularly opposed by the New Komeito Party. Although the DPJ opposes the refueling operations, it does so on the grounds that the operations fall under the U.S.-led OEF and is not authorized by the United Nations. DPJ leader Ozawa in the past has voiced support for Japanese participation in a Provincial Reconstruction Team (PRT) in Afghanistan because it is specifically authorized by the United Nations. Some analysts have speculated that Japan may be waiting to see how much emphasis the new U.S. president puts on Afghanistan before taking the political risk of sending ground troops.

**Overall Alliance Initiatives.** Political shifts in Japan since 2006 appear to have slowed some of the increased cooperation in the U.S.-Japan alliance. Implementation of a series of bilateral agreements intended to upgrade the alliance (known as the “2+2” agreements) depends on Tokyo providing the necessary resources and political capital. Because the transformation and realignment initiatives involve elements that are unpopular in the localities affected, successful implementation hinges on leadership from the central government. The centerpiece of the realignment scheme involves the relocation of a controversial Marine Corps air station in Futenma to a less-congested part of Okinawa. The agreement faces significant public opposition and environmental concerns. If implementation falters, the planned move of 8,000 Marines from Okinawa to Guam may also disrupt the Pentagon’s overall plans for realigning U.S. forces in Asia.<sup>7</sup>

**Regional Relations.** Japan’s relations with its neighbors, while mixed, appear to be the least likely area of concern to be affected by the current political turmoil. Leaders in the various political parties do not have explicitly distinct agendas for dealing with the Koreas and China. After a period of tension under Koizumi, politicians in both Tokyo and Beijing appear to have recognized the necessity of maintaining friendly relations in the interest of regional stability and continued robust trade. Most analysts think that even Aso, who is known as a nationalist politician, is likely to follow Abe and Fukuda’s lead and avoid provoking China. After some positive trends, Japan-South Korean ties have faltered again due to delicate sovereignty issues and, according to many analysts, a lack of high-level attention to Seoul in Tokyo. North Korea-Japan relations may have been affected by Fukuda’s resignation: soon after Fukuda’s announcement, Pyongyang postponed its promised reinvestigation into the fates of Japanese citizens its agents had kidnapped in the 1970s and 1980s until a new prime minister is chosen.<sup>8</sup> Progress on the abduction issue may have slowed even without the political uncertainty in Japan, as the Six-Party Talks over North Korea’s nuclear program have struggled to make progress.

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<sup>7</sup> For more information, see CRS Report RL33740, *The Changing U.S.-Japan Alliance: Implications for U.S. Interests* by Emma Chanlett-Avery.

<sup>8</sup> “Settlement of Abduction Issue Now Uncertain,” *Yomiuri Shimbun*, September 6, 2008.